

JPMorgan Settles With SEC for \$154 Million

The American Lawyer, June 22, 2011 — A Bingham team, led by partners [Herb Janick](#) and [Susan Merrill](#), represented JPMorgan in its recent settlement with the Securities and Exchange Commission. In its disclosure case against JPMorgan, the SEC alleged the company did not tell investors who bought notes in a synthetic collateralized debt obligation (CDO), called Squared CDO 2007-1, that the hedge fund Magnetar had been involved in the process of selecting the assets in the CDO portfolio and had shorted more than half of those assets. The SEC contends that, in an effort to unload the CDO portfolio, JPMorgan ended up selling \$150 million of mezzanine notes linked to the Squared CDO to more than a dozen institutional investors who lost nearly their entire investment, including Thrivent Financial for Lutherans. In the settlement agreement, JPMorgan agreed to disgorge \$18.6 million (representing the fees it earned on the CDO) and pay \$2 million in prejudgment interest as well as a \$133 million penalty. Out of this total, \$125.87 million will be returned to the mezzanine investors. JPMorgan also voluntarily paid \$56.8 million to investors in another transaction known as Tahoma CDO I. Partners [Gerald Russello](#) and [Susan DiCicco](#) also worked on this case with associate [Todd Beaton](#). News of this deal was also reported by *Law360*.